ANNUAL REPORT

FISCAL 1996/1997

Yukon
Government Services

103-03095/

ANNUAL REPORT

FISCAL 1996/1997

PROPERTY
MANAGEMENT AGENCY

July 28, 1997

I am pleased to present the Annual Report of the Property Management Agency (PMA) for fiscal year 1996/97

This report describes the Agency, the services it provides and its accomplishments during our first year as a special operating agency.

1996/97 was a challenging year as we strove to consolidate the changes made to accommodate our new way of doing business and to refine our systems and procedures in order to meet customers' expectations for quality service. The management and staff of the PMA working together with our customers to provide value-added, cost-effective facilities management services achieved the results reported in this document.

Our challenge for the future will be to refine our service delivery methods and further reduce maintenance and management costs.

We thank the Government of Yukon for its support and our clients for their cooperation as we made the transition to special operating agency status.

Dave Parfitt
Agency Head

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Introduction

Beginning in 1995, the Department of Government Services undertook several key initiatives aimed at achieving its vision of becoming an innovative service agency valued by its customers. A significant milestone was reached on April 1, 1996 when the Property Management Branch was formally established as a "special operating agency" (SOA). A charter, defining the terms and conditions under which the Agency operates, was developed. A business plan was established to guide its first year of operations. 1996/97 was a year of consolidating the changes introduced by SOA status.

A fundamental component of the SOA model is being accountable for results. This first annual report of the Property Management Agency (PMA) measures the degree to which the Agency met the objectives set for it in the 1996-97 Business Plan. It describes the progress made towards achieving the PMA's vision of delivering relevant, customer-focused services.

An Advisory Board comprised of customer representatives reviews our annual business plans and annual reports to ensure that our objectives align with customer needs.

Property Management Agency

The Property Management Agency is a program of the Department of Government Services. The Agency Head, who is the Assistant Deputy Minister, Property Management, manages its day-to-day business. The Agency Head reports to the Deputy Minister of Government Services. Government legislation, regulations and directives bind the Agency.

OUR MANDATE

The Property Management Agency exists to obtain and manage affordable, comfortable and appropriate facilities that meet the program needs of government departments and publicly funded agencies. As a central agency, the PMA fulfills a need for specialized procurement, technical and property management skills that is common across government departments and agencies. Because of the services the Agency provides, departmental managers can concentrate their skills and resources on their core business of delivering programs to the public. The ultimate goal is to save taxpayers' money through reduced overlap and duplication and improved resource management.

The management and staff of the Property Management Agency recognizes that a central agency can only be effective if it adopts a flexible business approach, is accountable and is easy to access and use. We are determined to be a central agency that works by adapting and changing to acquire these characteristics and to keep pace with customer needs.

OUR SERVICES

The Agency's service offerings are divided into three major categories: Development, Facilities Management and Realty Services. PMA provides services for two basic categories of facilities:

- Special purpose facilities, which are generally client sponsored buildings such as schools, institutions, grader stations etc., and
- Commercial facilities, which are generally offices and warehouses that are leased or owned by Government Services.

Development

Development services are provided to help customers plan and acquire affordable and appropriate facilities for their program activities. Services include facilities planning and evaluation, functional programming, leasing, design, and construction management. A variety of procurement models is used for obtaining and financing facilities. PMA planning program delivers such services as building condition reports, commercial space planning, post-occupancy and post-project evaluations standardized contract documents and a collection of various benchmark and costing data to assist our customers. Services are provided on a project-by-project basis, so that customer objectives and requirements for each project are fully understood and the scope and cost are adequately defined. An individual Property Management project manager is assigned responsibility for working directly with the project sponsor on each project. Guidelines for defining process, roles and responsibilities are contained in the *Building Development Procedures Manual*.

Facilities Management

The business of facilities management is to deliver comprehensive operational and maintenance support for government facilities. We ensure that our customers are provided with a comfortable environment for their staff while taking into account the need for day-to-day reliability as well as long term maintenance of the building asset. Services are provided under written facilities management service agreements or under the terms of annual leases arranged through our Realty Services unit. Facilities Management agreements are flexible and negotiated to meet each customer's needs. Services are usually divided into the following categories: maintenance, utilities, custodial, security, and grounds. Customers choose which of these they will manage themselves, and which they will request Property Management to manage on their behalf.

Realty Services

Realty Services allocates office and commercial space to Yukon government departments from the Yukon Government's inventory of owned and leased commercial space. Services offered encompass administering leases and managing the government's overall investment in commercial space. Through this activity, Property Management effectively acts as the "landlord" for Government Services owned space. Departments access this service when they need changes to their office space. Non-government organizations use the service when they want access to Yukon Government owned property. The Agency determines the best course of action in the context of the government's overall strategy for managing commercial space and then initiates the necessary action within the Agency to meet the customer's needs.

Operating Results

The Property Management Agency developed a set of tactical plans in preparation for the establishment of the Agency as an SOA on April 1, 1996. The highlights of the initiatives that were completed during the 1996/1997 fiscal year are as follows.

AGENCY-WIDE INITIATIVES

- The Agency continued to review its service offerings and the level of customer satisfaction. A process by which services, customer needs and performance are continuously reviewed was implemented. The Agency conducted a number of customer focus workshops to ask customers for input to the planning process and to develop the partnership, at an operational level, which would ensure that customers' needs and expectations are met.

- The Agency continued to monitor the organization of its management and staff to ensure that customer focus is maintained. To that end, the administrative staff was reorganized to streamline internal operations.

- Customers, through focus sessions, indicated they must be able to easily access the Agency's services and conduct business with it efficiently. The Agency undertook a review of its key processes in order to re-design and simplify procedures and orient them to the customer.

- The financial framework defined in the charter was implemented. The accountability aspect of the framework demands that the Agency have the necessary procedures and systems in place to track revenue, costs, and performance information. A review of the framework was undertaken and further refinement of financial reporting structures and procedures was implemented.Information Systems

- The Agency completed the installation and implementation of its new Integrated Building Information System (IBIS). This system was installed to meet operational and base financial reporting requirements of our customers. The system now supports the Agency's business operations. The integration of the PMA financial and cost accounting systems will be completed in 1997/98 to provide meaningful performance reports and improved operational data.

MAJOR OPERATING HIGHLIGHTS

The Agency prepared a detailed business plan for its first full year of operation. This business plan set the goals and operating objectives for the Agency against which its performance could be measured. The major strategic and operational objectives and the progress that was made in 1996/97 are summarized below.

1. ESTABLISH THE AGENCY AND ITS OPERATING ENVIRONMENT

Objective

The new operating environment for the Agency and its relationships with other government organizations will be defined and implemented. This included:

- Establishing the Agency's operations in the SOA framework;
- Establishing the Agency's value to its customers, suppliers, employees and the public;
- Meeting critical success factors in the areas of customer service, financial results and support of public policy.

Progress

The Agency has continued the work that was started in fiscal 1995/96 to implement the SOA and establish an effective operating environment.

- Client service agreements with a value in excess of $8 million were negotiated and signed.
- Negotiations to manage the Whitehorse and Watson Lake International Airports were completed.
- A partnership was formed with Information Services Branch (ISB) to coordinate the installation of communications cabling.
- The proposed Energy Management Plan was approved and is being implemented.
- Customer feedback procedures were implemented.
- Joint government department / Property Management Agency committees were established to enhance communications with customers.
- New information systems to support improved work order tracking and building information were implemented.
- The vision, goals, objectives and business plans were reviewed with all management and staff to ensure that there is complete understanding of the Agency's roles and responsibilities.
- Agency operations were aligned with government objectives.
- In consultation with the consulting industry, the contracting, request for proposal and proposal evaluation processes were made more effective.
- Working groups were formed with clients in the areas of energy management and occupational health.
- PMA services were actively promoted to government and other agencies (e.g. RCMP, Environment Canada, Parks Canada).
- New procedures were implemented to make the coordination of staff and office moves more efficient.
- New and follow-up customer focus sessions were held.
- Planning activities, involving PMA management and staff, were continued.

Factors

Achieving these objectives depends upon maintaining a flexible organization that is able to manage the dynamics of change. To position ourselves for the future, we should continue to build customer relationships based on trust, respect and value.

2. CHANGE THE WAY BUSINESS IS CONDUCTED

Objective

The methods, which the Agency uses to deliver services, will improve. The Agency will be accountable for the services it delivers and the performance of its operations.

Progress

The Agency has undertaken a significant amount of work to simplify its internal processes and procedures, make access to its services easier and improve service delivery.

- Customer service training for all staff has been initiated and is continuing.
- Customer service workshops were held and the results communicated to customers. The results were used as input to business and short term planning.
- Flexible customer service agreements were developed and implemented.
- New information systems have been implemented to support work order processing, customer service reporting and condition reporting.
- Fee for service procedures have been implemented.
- Activity-based costing and performance reporting were implemented.
- Space planning policy (MB #17/84) was reviewed and recommendations prepared.
- Investigation of alternative space planning strategies was completed.
- Design standards for government buildings were reviewed.
- The implementation of the Agency's corporate information systems was completed.

Factors

Through the use of technology, more was accomplished without increasing staff. Our strategy to deliver services through excellence and innovation will allow us to continue to achieve our objectives.

3. IMPROVE ACCESS TO SERVICES

Objective

The way in which customers access and use the Agency's services will be improved.

Progress

The Agency has made access to its services and the information it maintains easier for customers and internal staff.

- The re-organization of the administrative, financial and systems support functions within the Agency has been completed.
- A brochure entitled "How to Request Building Services" was published.

- Access to the Agency through a World Wide Web home page has been made available internally to government departments via Intranet.
- A customer service package (customer service report card) including standard customer service agreements, building information, condition reports (capital maintenance) and performance statistics (e.g. work request volumes, costs) was developed.
- Procedures to complete project performance and cost reviews were implemented. These included post project evaluations, alternative procurement methods, estimating databases and checklists.

Factors

For us to provide better, faster and more relevant service, we need to quantify and track many aspects of work performed. To meet this need, we created the Integrated Building Information System (IBIS); a tool powerful enough to track financial and operational data, yet flexible enough to carry out - depending on customer needs - customized assessments. We are continuing to make enhancements to the IBIS to meet the reporting needs of our customers and to provide information required for sound management of government facilities.

4. ESTABLISH A NEW FINANCIAL FRAMEWORK

Objective

The policies and procedures that support the Agency's financial framework will be implemented and include:

- Fee for service billings.
- Reviewing and establishing building ownership.
- Installation of accrual accounting and the establishment of a separate fund for PMA operations.
- Preparation of meaningful financial reports.

Progress

- The core accounting systems needed to support the Agency, using the governments accounting package, have been installed.
- The revolving fund has been established.
- The requirements for financial and operational reporting have been defined.
- Facilities activity-based costing systems were installed.
- Interfaces to the core accounting systems were implemented so that financial and operating data can be combined in the IBIS system.
- Responsibilities for the processing of financial transactions were revised.
- New budgeting procedures were implemented.
- Enhanced revenue accounting systems were installed.
- Revenue and cost projection systems and procedures by service, building, customer and source of funding were implemented.

Factors

We will be revising our service targets to incorporate new performance measures based on our first year actual operating and financial data.

CUSTOMER SERVICE HIGHLIGHTS

Facilities Management

The reorganization of the Agency towards a more customer-centered approach to business has taken place over the last two years. Our commitment to improving our customer service capabilities has involved a number of important actions during 1996/97:

- We have strengthened the areas of the organization involved with customer service by moving appropriate staff to key service areas.
- We began a comprehensive program of auditing energy use to identify buildings suitable for cost effective retrofits and to establish strategies to reduce energy consumption.
- We worked closely with customers to help us evaluate our performance in meeting their needs. Results indicated a more positive and improved opinion of our service. Opportunities for improvements were also identified and will be pursued in the 1997/98 fiscal year.

Realty Services

The agency was faced with two major fires this fiscal year. In Watson Lake, fire destroyed the government's Main Administration Building forcing government departments to find temporary accommodations in a number of locations throughout the community. Temporary accommodations were secured in the Yukon Housing Complex, a wing of the elementary school and a private garage.

In Old Crow, fire destroyed the Chief Zzeh Gittlet School, forcing the government to lease three facilities to accommodate the students. Two buildings were leased from the Old Crow First Nation and one building from the federal government.

The leasing statistics below show the increase caused by these two major fires. Lease cost for these facilities was absorbed by PMA.

Leasing Statistics

	1996/97 Actual (Sq Ft.)	1995/96 Actual (Sq Ft.)	Difference in (Sq Ft.)
Whitehorse Region	216,775	215,297	1,478
Northern Region	10,204	9,220	984
Eastern Region	8,310	5,927	2,383
Western Region	3,506	3,626	(120)
Total Region	238,795	234,070	4,752
Number of Buildings	45	42	

DEVELOPMENT SERVICES

Fiscal year 1996/97 was a significant year for capital construction for the Agency with expenditures exceeding $11.5 million. This investment represents the continuation of the government's infrastructure development program to meet the program needs of our clients.

During the year, we completed four major projects:

Yukon Tourism Business Center

A new facility constructed for the Department of Tourism incorporates a new Visitor Reception Center with office space for the department.

Beringia Center

The former Visitor Reception Center located near the Whitehorse Airport was renovated to house the new Beringia Museum.

French School

A new French school was built to provide needed space for Yukon students.

Dawson Grader Station

A design build facility was completed to house the highway maintenance equipment and staff of the Department of Community and Transportation Services.

The success of these projects can be attributed to the fact that our project managers focus on the customer, guiding them through the entire development process from planning and design to construction management and occupancy. We meet our customers' two greatest needs by delivering projects within budget and on time.

PROPERTY MANAGEMENT AGENCY CAPITAL PROGRAM

(For Information Only)

The Agency's Capital Program is funded by the following; (1) Government Services Vote 16 which provides capital funding for delivery of PMA Capital Program; and (2) Client "bill-back" basis, for projects completed on a project by project basis for our clients. (Funds spent are through a transfer authorization)

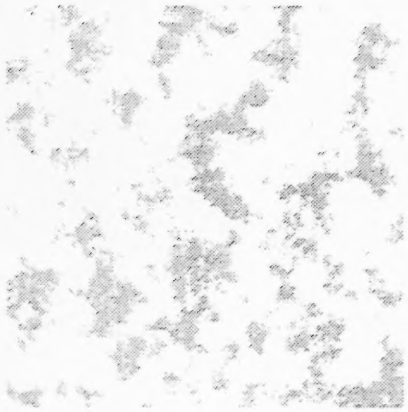
The financial statement below illustrates the volume of work not accounted for under the Agency's SOA financial framework.

Property Management
Capital Program
Year Ended March 31,1997
(Refer to notes to reader below)

(1) CAPITAL VOTE (PMA)	$ THOUSANDS
EXPENDITURES	
Building Development Overhead	$ 1,430.8
Pre-enginering	$ 18.1
Common Facilities	$ 58.9
Energy Conservation Retrofits	$ 28.8
Capital Maintenance & Upgrades	$ 805.6
Property Management Equipment	$ 48.9
TOTAL EXPENDITURES	$ 2,391.1
(2) CLIENT "BILL-BACK" PROJECTS	
EXPENDITURES	
Capital Projects - Government Departments	$ 11,590.7
Capital Projects - Corporations and Outside Agencies	$ 275.8
TOTAL EXPENDITURES	$ 11,866.5
TOTAL PMA CAPITAL VOLUME	$ 14,257.6

Note to reader – Management has compiled the statement of capital expenditures for information Purposes only. This financial statement is not audited.

Performance and Benchmarking Results



Property Management Agency
Operating and Maintenance Volumes

PMA SERVICE	1996-97 Actuals Sq Ft Gross Area	1996-97 Actuals Cost $	1996-97 Actuals Cost Per Sq Ft	1996-97 Forecast Sq Ft Gross Area	1996-97 Forecast Cost $	1996-97 Forecast Cost Per Sq Ft
Utilities	1,132,309	2,562,300	2.26	1,003,805	2,592,900	2.58
Custodial	2,004,960	4,889,500	2.44	1,785,271	4,973,300	2.79
Security	1,630,919	513,600	0.31	1,668,698	513,900	0.31
Grounds	2,335,771	629,500	0.27	1,910,196	587,500	0.31
Commercial Leases	253,454	4,403,600	17.37	238,900	4,535,800	18.99
Maintenance	3,222,278	5,091,100	1.58	2,845,838	4,767,900	1.68
Facilities Management	3,222,278	2,328,600	0.72	3,076,943	2,301,000	0.75
		20,418,200			20,272,300	
Services		371,800				
TOTAL O&M		20,790,000			20,272,300	

In broad terms, the table above illustrates that the volume of services being provided by the Agency is increasing substantially. All of the increases in total dollars spent are due to volume increases. Through effective management, our unit cost per sq. ft. managed was lower than forecast.

Property Management also reported additional services requested by our clients for program specific repairs. This amounted to $371,800 of additional work.

Revenue Highlights

The financial results and operating performance of the Agency were generally consistent with expectations, and showed slight increases over projections.

- Revenue derived from operations was $20.90 million, representing an increase of $600,000 over the $20.30 million projected in our 1996/97 Business Plan. After expenses of $20.79 million, the net income from operations was $110,000.
- Client requested development projects were undertaken this year. The direct expenditure was $11.87 million.

Conclusion

The Agency has made significant progress towards meeting the objectives that were set in its Charter and 1996/97 Business Plan. In collaboration with the Agency's clients and service partners, a Business Plan 1997/98 has been prepared. The new plan focuses on refining service delivery methods and reducing maintenance and management costs.

PROPERTY MANAGEMENT AGENCY

(A Special Operating Agency of Yukon Government Services)

FINANCIAL STATEMENTS

MARCH 31, 1997

COLLIN YOUNG CHARTERED ACCOUNTANT
201 - 100 Main Street Whitehorse, Yukon Y1A 2A8
403-667-2245 Fax 403-667-7997

AUDITOR'S REPORT

To the Executive Council Member responsible for
Government Services

I have audited the balanced sheet of Property Management Agency as at March 31, 1997 and the statement of Income and Accumulated Surplus for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I concluded my audit in accordance with generally accepted standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 1997 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Collin Young
Chartered Accountant

Whitehorse, Yukon
September 23, 1997

Property Management Agency
(A Special Operating Agency of
Yukon Government Services)
Balance Sheet
As at March 31, 1997
(Thousands of dollars)

Assets

Current	
Accounts receivable	$ 171
Due from Government of the Yukon (note 4)	799
	$ 970

Liabilities and Accumulated Surplus

Current	
Accounts payable and accrued liabilities	$ 860
Accumulated Surplus	110
	$ 970

Legislative compliance (note 5)

Approved:

Deputy Minister
Yukon Government Services

Minister
Yukon Government Services

Property Management Agency
(A Special Operating Agency of
Yukon Government Services)
Statement of Income
For the year ended March 31, 1997
(Thousands of dollars)

Revenue:

Legislative appropriations (note 3)	$ 10,959
Facilities management (note 3)	8,839
Realty leases (note 3)	742
Project and development services (note 3)	360
	20,900

Expenses:

Maintenance (note 3)	5,091
Custodial	4,889
Leases	4,404
Utilities	2,562
Administration (note 3)	2,329
Grounds	2,329 629
Security	514
Project and development	360
Contract services	12
	20,790

Net income for the year, and Accumulated Surplus	$ 110

Property Management Agency

(A Special Operating Agency of
Yukon Government Services)

Statement of Changes in Financial Position

For the year ended March 31, 1997

(Thousands of dollars)

Operating activities	
Net income for the year	$ 110
Increase in non-cash working capital	689
	799
Investing activities	
Increase in due from Government of the Yukon	(799)
Change during year, being cash, end of year	$ 0

The Agency does not have cash. Cash is held and managed on behalf of the Agency by the Department of Finance, Government of the Yukon.

NOTES TO THE FINANCIAL STATEMENTS

1. Authority and Operations

The Agency was established as a Special Operating Agency under the Property Management Agency Charter with the approval of the Cabinet of the Government of the Yukon and commenced operations on April 1, 1996.

The Agency is a program of the Department of Government Services and is responsible for the procurement and management of appropriate and affordable operational facilities for government departments, and certain publicly funded entities. The Agency is accountable for its activities as described in its charter. As a program of the Department, the Agency is subject to government legislation, directives, and policy.

2. Significant Accounting Policies

Management, in accordance with generally accepted accounting principles, has prepared these financial statements.

Account Receivables

- Accounts receivable are recorded at the lower of cost or net realizable value

Services provided by Government of Yukon without charge

The Agency does not record the value of services it receives without charge. These services include the following:

- Use of office furniture and fixtures;
- Program equipment;
- Interest free legislation appropriation, and other advances from the Government of Yukon.

Pensions

The employees of the Agency are deemed to be employees of the Government of the Yukon. Both the Agency and its employees make contributions to the Public Service Superannuation Plan administered by the Government of Canada. The Agency is only liable for current contributions, which are expended in the accounts on a current basis.

3. *Related party transactions*

The Special Operating Agency, as a program of the Department of Government Services of the Government of the Yukon, is related to other government departments and Crown Corporations.

Included in the Agency's revenue and expenses are the following related party transactions:

	(thousands of dollars)
Revenue	
Legislative Appropriations	$ 10,959
Government Departments	9,068
Corporations	382
	$ 20,409
Expenses	
Fleet Vehicle Agency	$ 350
Government Services (Stores)	175
Community & Transportation Services	10
	$ 535

4. *Due from Government of the Yukon*

Due from Government of the Yukon is a long-term receivable of the Agency consisting of the balance of cash received and disbursed by the Government of the Yukon on behalf of the Agency, since the Agency's establishment at April 1, 1996.

The receivable is non-interest bearing and there are no fixed terms of repayment.

5. Legislative Compliance

The Property Management Revolving Fund is governed by subsection 44.2 of the Financial Administration Act.

- 44.2 (1) states that the Fund limit shall be $250,000. The balance of the Revolving Fund at March 31, 1997, was $110,000.

- 44.2 (2) states that the accumulated capital and operations and maintenance expenditures, excluding amortization, shall not exceed the accumulated revenues in the Fund at the time of expenditure. The following schedule shows that this legislative requirement has been met.

Revenue	$ 20,900
Operating and maintenance expeditures	20,790
Capital expenditures	-
Less: Amortization	-
	20,790
Excess of revenue over expenditures as defined in subsection 44.2(3)	$ 110

- 44.2 (3) states that capital expenditures from the fund shall not exceed $100,000 in a fiscal year. Capital expenditures for the year ended March 31, 1997, were nil.